

“A STUDY ON FULFILMENT OF PSYCHOLOGICAL CONTRACT AND ITS IMPACT ON EMPLOYEE ENGAGEMENT”

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ABSTRACT

This paper examines the study on fulfilment of Psychological Contract and its impact on employee engagement. The information technology sector has gained more importance and recently this sector is facing lot of challenges. One of the main challenges is to understand the expectations of the employees and satisfy those expectations. When employees feel that the organization is not fulfilling its promises it leads to absenteeism and intention to quit, less commitment and engagement. In order to increase the employees effectiveness, trust, satisfaction, commitment and engagement the organizations must fulfil the expectations of the employees. Psychological contract is expectations of both employer and employee. The data was collected from 90 employees working in information sector through questionnaire. The study found out that psychological contract fulfilment has positive impact on employee engagement. There is also difference in expectations between the age group and organizational policies, Flexibility, Work life Balance, Feeling Valued & Appreciated and Organizational Culture.

KEYWORDS: Psychological Contract Fulfilment, Employee Engagement & Organizational Commitment

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INTRODUCTION

Psychological contract refers to mutual unwritten expectations that exist between an employee and employer regarding policies and practices in their organisation.

The organization performance increase with help of engaged employees. Engagement is state where an employee's heart and mind is attracted and emotional attached towards the organization.

In the changing work force the organizations cannot survive unless they have the right kind employees. It is people who drive organizations to success or failure.

The traditional and written employment contract guarantees a job, promotion and career inexchange for hard work and loyalty. But currently a different type of work force is emerging. The expectations of employees are not the same they are changing. The psychological contract studies those expectations which are hard to define in the formal employment contract. When these expectations are identified and fulfilled it makes an employee more committed and engaged towards their work and the organization

OBJECTIVES OF STUDY

- To understand the concept of Psychological Contract.
- To analyze demographic variables with respect to factors of psychological contract and employee engagement.

- To identify the relationship between psychological contract and employee engagement.

To Understand the Concept of Psychological Contract

The term psychological contract refers to expectations between employer and employee which are mutual and unwritten. It is different from the traditional and written contract. In today's workforce the expectations of the employees and the organization are changing. Increment, pay holidays, promotion and opportunities for development in career alone doesn't satisfy an employee but there are other expectations from employer which is hard to define in the formal contract. The employers must make an employee walk an extra mile; it is possible only by understanding and fulfilling the employees expectations. The expectations of employees are meaningful work, proper communication, good understanding with supervisor and co-workers, trust, valuing contributions, appreciations, content of the job, social atmosphere, financial rewards and work life balance.

When an organization fulfils these expectations it makes an employee more engaged towards their job and organization. Psychological contract fulfilment leads to organizational commitment, work commitment, career commitment; increases job performances, organization citizenship behaviour and reduce absenteeism, intention to quit and makes an employee more attached with the organization. The psychological contract is not only fulfilling the expectations of the employee alone but also the expectations of the employer that is why it is called as unwritten and mutual. If the employee expects the employer to fulfil their expectations, the employer also expects the same from the employee. Therefore both the employer and employee must understand their obligations and fulfil them. The expectations of the employer are ethical behaviour, flexibility, team work, work with integrity and extra role behaviour. The psychological contract refers to unspoken expectations between the employee and employer.

The success of the psychological contract depends on how the employees believe that the employer is fulfilling their expectations and obligations more and beyond the written employment contract. It helps in determining the employees satisfaction towards the job, commitment and engagement. Therefore fulfilment of psychological contract leads to increase in employee engagement and positive attitudes towards the organization.

REVIEW OF LITERATURE

Psychological Contract

Argyris (1960): the researcher first identified psychological contract as a relationship between the employer and the employee.

Levinson (1962): The father of psychological contract concept defined it as mutual expectations between the employer and the employee and unwritten contract.

Rousseau (1960): defined as mutual obligations between the employer and the employee.

Briner & Conway, (2005): The researchers identified psychological contract fulfilment as when an employee believes and trust that the employer has fulfilled their obligations.

Bhatnagar (2014): The researcher conducted a study among the research and development employees, found out the strong mediators like psychological contract, rewards and recognition are the strong and positive mediators between the supervisor support and intention to quit.

Baluch and Salge (2013): The researchers identified that the psychological contract fulfilment influences the

behaviour and attitudes of employee's positively and in this in turn leads to positive employee outcomes towards the organization.

Hess and Jepsen (2009): The researchers identified that there is a link between psychological contract fulfilment and employee commitment, satisfaction and intention to quit. It also creates emotional attachment and desire to continue to work with the organization. The psychological contract fulfilment has a positive impact on the employees.

Ng and Feldman (2009): The researchers in their study found out that when an employer is violating psychological contract or the expectations of employees are not met it leads to reduction in employees loyalty, trust and decrease the effort and contribution of employees towards the organizations goal and performance.

Atkinson & Cuthbert (2006): The researchers suggested that psychological contract is mutual obligations between employer and employee. The obligations from the part of employer are job security, career opportunities, monetary rewards, work life balance and social atmosphere. The obligations from employee are ethical behaviour, team work and work with integrity.

UNDERSTANDING EMPLOYEE ENGAGEMENT

Employee engagement is where an employee is emotionally attached with the job and organization. An engaged employee works towards the welfare of the organization, improves the job performance and works with team spirit. The engaged employees are concerned about the performance and future of the organization and willingly put effort for the organization achievement. Engaged employees will be focused on increasing the profitability and productivity of the organization. The intention to quit will be very less.

Hewitt Associates (2006): The researcher identifies engaged employees spread positivity about the organization, strive hard to perform beyond their limit, desire to stay with the organization and increases the effectiveness and performance of the organization.

Tower Perrin (2003, 2007): The researcher in his study identified that there is a relationship between employee engagement and turnover intentions. When the level of engagement is high it leads to work satisfaction, trust and loyal and commitment. Suggested to retain the engaged employees the organization must focus on the career development, work life balance and good leadership.

Truss (2006): The researcher in his study found out that engaged employees tend to stay with the organization for longer period and will not leave the organization. Less engaged employees leave the organization which will lead to intention to quit and turnover.

Harter, Schmidt & Hayes, (2002): The researchers identified that employee who are highly engaged will deliver performance beyond the expectations of the employer. In workplace when employees were given opportunities and freedom to utilize their ability and capacity it leads to sustainable higher performance.

Pasquale Mazzuca- Hamitton Davenport (2007): The researchers in their study identified five factors that lead to employee engagement clear expectations of the job, career or promotion path opportunities, feedback from the supervisor, valuing and recognising contributions and proper relationship with the co-workers.

B Medlin (2008): The research identified that there is a link between engagement and its influence on performance of employees. When the level of employee engagement is higher it increases the confidence of the employees.

The result also indicated that strong work place satisfaction leads to increase in performance of employees.

Psychological Contract and Employee Engagement

Bakker (2011): The researcher conducted a study to know the relationship between psychological contract and employee engagement and found out increase in job performance is due to the engaged employees. The job performance will be higher when employees are engaged with the job.

Zhao (2007): The researcher identified that when there is a breach or violation in the psychological contract it leads to less work and organizational engagement by the employees and decreases job satisfaction. This in turn leads to intention to quit and increase in absenteeism.

Parzefall and Hakanen, (2010): The researchers identified that turnover intentions among the employees are less when they feel that there is fulfilment in the psychological contract and it also makes an employee more engaged and committed towards the organization.

Aggarwal, (2014): The researcher in his study identified that when employees are treated fairly it increases trust on the employees and also makes an employee engaged with the job and organization. The researcher also suggested that if the organizations are transparent, has well trained supervisors with good skills and ability to guide and treat subordinates with fair treatment and trust it influences the employees to be more attached with the organization and engaged with their work.

De Cooman, Bal and Mol (2013): The researchers in their study found out that when an organization fulfils psychological contract it leads to increase in the job engagement, creates a good impact about the organization, interest toward their work and reduces the intention to quit and absenteeism.

Vinessa, Ishana& Robert (2017): The researchers conducted the study to assess psychological contract impact on the engagement of employees, identified that contents of psychological contract are very essential for academicians. The study found out that majority of employees felt psychological contract fulfilment except few employees who felt there was a violation in the psychological contract. All the employees felt that the organization did not have any retention policy. Psychological contract fulfilment leads to employee engagement.

HYPOTHESIS

H₁: There is no relationship between factors of employer and employee expectations and employee engagement.

H₂: There is no significant difference between the age and the factors of employer and employee expectations and employee engagement

RESEARCH METHODOLOGY

Research methodology is the specific procedures or techniques used to identify select, process and analyze information about a topic. It helps in critical evaluation, overall reliability and validity of a study. The research methodology describes the methods to be followed in the research activities. The data was collected through primary and secondary sources.

Population and Sample Size

The objective of the study is to know the psychological contract fulfilment and its impact on employee engagement. The data was collected randomly from the 90 employees working in information technology sector through questionnaire.

Statistical Tool & Techniques Used

- Percentage Analysis
- Reliability Test
- Anova
- Correlation

Limitations of the Study

- The size of the sample was limited to 90 respondents only.
- Data has to be collected within short period of time.
- Validity and reliability of the data collected depends on the responses from the respondents.
- The study focused on only few employees working in the IT sector, therefore the results cannot be generalized to all the IT sectors.

DATA ANALYSIS AND INTERPRETATION

Demographic Profile of the Respondents

Table 1

		Frequency	Percent
Gender	Male	54	60
	Female	36	40
	Total	90	100.0
Age Group	Below 30 Years	25	27.8
	31 Years - 40 Years	50	55.6
	41 Years - 50 Years	14	15.6
	51 Years - 60 Years	1	1.1
	Total	90	100.0
Educational Level	Bachelors Degree	18	20
	Master Degree	67	74.4
	Others	5	5.6
	Total	90	100.0
Company	WNS	45	50
	TCS	39	43.3
	Others	6	6.7
	Total	90	100.0
Working Experience	Below 6 Months	1	1.1
	6 Months - 12 Months	7	7.8
	More than 1 Year	82	91.1
	Total	90	100.0

Interpretation

From the above table out of 90 respondents 60% are male and 40% are female. The above table also reveals that 27.8% fall under the age group of below 30 years of age and 55.6% fall under 30-40 years of age. The respondents holding a UG degree were 20% and Masters degree were 74.4% and respondents pursuing other courses are 5.6%. The study recorded that 6.7% respondents were working in others IT sectors and 50% are in Wns & 43.3% in Tcs. The respondents having an experience of 6-12 months are 7.8% and also below 6 months are 1.1% and more than 1 year is recorded as 91.1%.

RELIABILITY TEST

To test the internal consistency and reliability of the instrument developed for measuring psychological contract and employee engagement, Cronbach's Alpha was calculated by using SPSS 20. The value of Cronbach's Alpha is summarized below in table:

Table 2

Cronbach's Alpha	No. of Items
.980	37

Interpretation

It is observed that the instrument for psychological contract and employee engagement has attained Cronbach's Alpha value of 0.980. For the purpose of basic research, the Cronbach's Alpha values should be higher than 0.7. The Cronbach's Alpha value is 0.980 hence it can be proved that there is consistency in responses. Therefore 98% data are reliable in the study.

H₁: there is no relationship between factors of employer and employee expectations and employee engagement.

Table 3: Showing Correlation Co-Efficient Between Factors of Employer and Employee Expectation and Employee Engagement

Factors of Employer and Employee Expectations / Psychological Contract	Factors of Employee Engagement						
	Work Place Satisfaction	Feeling Appreciated & Valued	Employee Retention	Organizational Culture	Work	Supervisor	Organizational Policies
Extra Role Behaviour	0.372**	0.215*	0.309**	0.245*	0.298**	0.217*	0.281**
Flexibility	0.274**	0.307**	0.171	0.258*	0.206	0.243*	0.393**
Ethical Behaviour	0.315**	0.613	0.258*	0.200	0.276**	0.172	0.277**
Career Development	0.496**	0.352**	0.363**	0.363**	0.459**	0.409**	0.464**
Job Content	0.342**	0.271**	0.325**	0.289**	0.363**	0.282**	0.301**
Social Atmosphere	0.235*	0.136	0.243*	0.175	0.257*	0.157	0.150
Financial Rewards	0.308**	0.181	0.263	0.215*	0.322**	0.219*	0.183
Work life balance	0.369**	0.434**	0.264*	0.397**	0.442**	0.488**	0.512**

Note: ** significant at 1% level

*significant at 5% level

Interpretation

Correlation co-efficient between extra role behaviour and work place satisfaction is 37.2 percentage (0.372) indicating positive relationship at 1% level, flexibility and organizational policies has positive correlation at 39.3 percentage and ethical behaviour and work place satisfaction is positively correlated at 31.5 percentage and is significant at 1% level.

The correlation co-efficient between career development and work place satisfaction is 0.496 which indicate 49.6 percentage positive relationship between career development and work place satisfaction at 1% level. Correlation between job content and work is 0.363 which indicate positive relationship at 36.3percentage. There is positive relationship between financial rewards and work at 32.2 percentage. The correlation co-efficient between work life balance and organizational policies is positive at 51.2 percentage at 1% level. Since the p value is less than 0.01 the null hypothesis is rejected at 1% level.

The correlation co-efficient between social atmosphere and work which is 0.257 which indicates 25.7 percentage positive between social atmosphere and work. Since the p value is less than 0.05 the null hypothesis is rejected at 5% level.

H₂: There is no significant difference between the age group with respect to the factors of employer and employee expectations employee engagement.

Table 4: Anova for Significant Difference among Age Group with respect to Factors of Employer and Employee Expectations and Employee Engagement

Factors of Employer, Employee Expectations and Employee Engagement	Age				F Value	P Value
	Below 30 years	31-40 years	41-50 years	50 and above		
Extra Role Behaviour	50.76 (7.457)	52.00 (3.692)	52.50 (3.858)	58.00 -	0.970	0.411
Flexibility	7.36 (1.551)	6.26 (1.454)	6.07 (1.385)	7.00 -	3.695	0.015*
Ethical Behaviour	16.52 (2.845)	16.20 (1.948)	16.71 (1.069)	17.00 -	0.294	0.829
Career Development	27.24 (4.969)	27.10 (4.082)	27.57 (2.709)	28.00 -	0.058	0.981
Job Content	18.72 (4.078)	19.32 (3.020)	20.86 (1.657)	21.00 -	1.436	0.238
Social Atmosphere	16.04 (2.776)	16.94 (2.034)	17.50 (1.019)	20.00 -	2.322	0.081
Financial Rewards	23.60 (4.463)	25.10 (3.424)	26.07 (1.492)	25.00 -	1.672	0.179
Work life Balance	10.24 (2.948)	8.58 (2.081)	8.14 (0.864)	8.00 -	3.892	0.012*
Work life Satisfaction	30.92 (5.330)	28.70 (5.956)	31.43 (4.327)	27.00 -	1.467	0.229
Feeling Valued & Appreciated	16.76 (3.609)	14.28 (4.010)	15.93 (3.222)	12.00 -	2.803	0.045*
Employee Retention	13.80 (2.708)	12.72 (2.821)	14.64 (2.678)	11.00 -	2.331	0.080
Organizational Culture	13.56 (3.216)	11.72 (3.104)	13.71 (3.338)	10.00 -	2.829	0.043*
Work	19.68 (4.161)	18.06 (3.689)	20.36 (3.249)	17.00 -	1.966	0.125
Supervisor	9.88 (2.242)	9.00 (2.080)	9.64 (1.781)	8.00 -	1.238	0.301
Organizational Policies	20.12 (4.675)	16.04 (3.747)	18.93 (3.990)	17.00 -	6.168	<0.001**
Overall Total	295.20 (286.00)	282.02 (35.402)	300.07 (27.354)	286.00 -	1.376	0.256

Note:

** significant at 1%.

* significant at 5%.

Different alphabet among Age Group in years denotes significant at 5% Level using Duncan Multiple Range Test (DMRT)

Interpretation

** With DMRT – Since P value is than 0.01 the null hypothesis is rejected at 1% with regard to organisational policies. Hence there is significant difference among age groups with respect to organizational policies. Based on Duncan multiple Range (DMRT) the age group of below 30 years, 31 to 40 years, 41 to 50 and 51 to 60 years is significantly differing with each other at 5% level with regard to organizational policies.

*With DMRT since P value is less than 0.05 the null hypothesis is rejected at 5% with regard to Flexibility, Work life Balance, Feeling Valued & Appreciated and Organizational Culture. Hence there is significant difference among age groups with respect to Flexibility, Work life Balance, Feeling Valued & Appreciated and Organizational Culture. Based on DMRT age group below 30 years differs with age group of 31to40years, 41to50 and 51to60years, but no significant difference between 31to40years and 41-50years related to flexibility.

There is no significant difference among age group with respect to extra role behaviour, ethical behaviour, career development, job content, social atmosphere, financial rewards, work place satisfaction, employee retention, organizational culture and work, since p value is 0.05. Hence the null accepted at 5% level.

FINDINGS & CONCLUSIONS

The study was conducted to understand the fulfilment of psychological contract which has impact on the employee engagement. The research was also able to bring forth the following major findings with the data collected:

- 60% are male and 40% are female respondents. The respondents holding UG degrees were 20% and Masters Degree were 74.4% and respondents pursuing other courses are 5.6%.
- It is found that there is significant difference between age group and organizational policies, Flexibility, Work life Balance, Feeling Valued & Appreciated and Organizational Culture.
- It is also found that there is no difference among age group with respect to extra role behaviour, ethical behaviour, career development, job content, social atmosphere, financial rewards, work place satisfaction, employee retention, organizational culture and work. It shows the expectations of employees irrespective of age are same to the above mentioned expectations.
- There is positive relationship between extra role behaviour and work place satisfaction, flexibility and organizational policies, ethical behaviour and work place satisfaction, career development and work place satisfaction, job content, financial rewards and work, work life balance and organizational policies.
- When a company is fulfilling its obligations and expectations of the employees above & beyond formal written contract. This will lead to employee engagement. The expectations of employees like career advancement, content of job, the social atmosphere, monetary rewards and work life balance, appreciation and valuing contributions and proper supervision is fulfilled it increases the employees commitment and engagement more towards the work and the organization. Select those projects which keep employees engaged.
- Psychological contract fulfilment leads to employee retention and reduces labour turnover and absenteeism.
- The employers also expect the employees to fulfil their obligations and the organization expectations. Psychological contract is mutual. It is not only fulfilment of expectations by one party but by both.

Therefore in general psychological contract fulfilment deals with both employee and the employer expectations. So when these expectations are fulfilled by both of them it leads to increase in productivity, reduce in labour turnover, organizational commitment, engagement, organizational performance and employee engagement.

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